

RESOLUTION 84-48

BE IT RESOLVED, by the Board of Directors (the "Board") of the California Housing Finance Agency (the "Agency") that the staff of the Agency is hereby authorized to permit the conversion of the Pilgrim Tower East housing development from nonprofit sponsorship to sponsorship by a limited partnership in accordance with the staff recommendation of October 26, 1984, attached hereto, provided that any additional housing, education, social and health programs to be benefitted from the use of any funds so provided from the sale shall be located in the State of California.

I hereby certify that this is a true and correct copy of Resolution 84-48 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on November 8, 1984.

ATTEST:   
Secretary

Attachment

# Memorandum

To : Lending Committee

Date : October 26, 1984

From : Bob Smith  
CALIFORNIA HOUSING FINANCE AGENCY

Subject : Pilgrim Tower East Non-Profit Conversion  
CHFA #75-17-S

## BACKGROUND

In December, 1983 Ralph Palmer brought before this committee a proposal whereby the Agency would establish a policy in regards to approval of the conversion of Non-profit and Housing Authority Projects to Limited Dividend Ownership (see memo attached). Also, at that time, Ken Reed submitted an actual project to the committee that related directly to the creation of Agency policy - the project was named Glen Agnes.

Pilgrim Tower East is a 156 unit 100% Section 8 assisted project. It is located in Pasadena and is a non-profit corporation whose sponsor and owner is the Retirement Housing Foundation, also, a non-profit corporation.

The Retirement Housing Foundation over the past 20 years has developed nearly 50 elderly and health care projects nationwide.

The Retirement Housing Foundation has built up considerable equity in most of their projects and feel that they are not content in continuing to sit back and build equity in existing projects, and therefore, are pursuing the conversion of this project to a profit motivated project for the purpose of maximizing their public purpose.

The managing general partner will continue to be the Retirement Housing Foundation. The Pilgrim Towers East Corporation will sell its interests to two partners: The Pilgrim Tower East Corporation will form a limited partnership in which it will be the initial limited partner and then assign its partnership to the investor partners - (1) Crico Limited Partnership of California, (an affiliate of C.R.I., Inc. a national real estate corporation with investments in over 16 CHFA financed projects) who will purchase a 1% ownership interest and serve as net worth partner and (2) Capital Realty Investor - IV, a Maryland limited partnership who will purchase 98.99% ownership interest and serve as the limited partnership.

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The new partnership will remain bound by the CHFA Regulatory Agreement and the Section 8 contract.

All proceeds received from the sale will be utilized to enhance the physical and financial integrity of the project or to provide additional housing, education, social and health programs for the elderly as requested by the project, Pilgrim Tower East, the Retirement Housing Foundation and approved by CHFA.

The cash proceeds are \$1,675,000 or approximately 74% of total proceeds raised from investors. Of this amount, \$31,249 will be paid to CHFA as a 1/2% transfer processing fee, approximately \$50,000 will be used for title insurance, recording fees and other closing costs and approximately \$175,000 or more (to be determined by CHFA), will be used to supplement project reserves and cash, to establish an annuity fund to accomodate payment of real estate taxes on the project. This annuity will be computed on the actual initial assessment. In addition, a 1.75% fund or approximately \$109,371 will be segregated within a CHFA Multi-Family Housing Fund to be used at the discretion of CHFA for either California housing developments or RHF sponsored developments. The balance of funds will be in a Project Development Account to provide additional housing, education, social and health programs as approved by CHFA. The sponsor has indicated some minimal deferred maintenance and suggested certain improvements that might enhance the overall long term viability.

Our last inspection indicated the project was being well maintained. We are reinspecting to determine the extent of any deferred maintenance, or necessary physical enhancements, and will escrow funds from proceeds to accomodate the corrections.

In addition, any secondary financing must be approved by the Agency and no cash flow will be available for payment on secondary debt unless specifically approved by this Agency. Also, HUD must approve the amended HAP contract, the 2530 and the non-profit to limited conversion.